Questor Corporation
1969 Annual Report

QUESTOR

Financial Highlights

	1969	1968[1]
Results of Operations:		
Net Sales	$243,015,000	$220,538,000
Earnings before Federal and Foreign Income Taxes and Net Extraordinary Items	26,927,000	29,088,000
Earnings before Net Extraordinary Items	13,927,000	13,353,000
Net Earnings	19,740,000	13,353,000
Earnings Per Common Share:		
Earnings before Net Extraordinary Items	1.40	1.34
Net Earnings	1.98	1.34
Return on Shareholders' Equity (Average)	11.8%	12.3%
Percentage of Net Sales:		
Gross Profit	29.7%	31.2%
Operating Income	10.8%	13.5%
Earnings before Net Extraordinary Items	5.7%	6.1%
Net Earnings	8.1%	6.1%
Financial Position:		
Working Capital	$ 76,587,000	$ 64,425,000
Total Assets	213,082,000	169,837,000
Long-Term Debt	24,904,000	10,996,000
Shareholders' Equity	124,549,000	112,381,000
Other Data:		
Additions to Property, Plant and Equipment	16,940,000	10,900,000
Number of Shareholders (as of Dec. 31)	5,876	5,163
Number of Employees (as of Dec. 31)	11,186	10,104
Average Number of Shares Outstanding:		
Common	8,009,134	7,990,990
Convertible Preferred[2]	1,744,961	1,744,961
Prior Preferred—Series A[2]	184,758	187,698

(1) Restated to reflect pooling of interests
(2) Assumes conversion to equivalent common shares

QUESTOR

To Our Shareholders:

As we look back on your company's activities in 1969, we find that we finished the decade much as did the United States: with a temporarily slowing growth rate; humbled by our shortcomings; encouraged by our progress and greater awareness; and enthusiastic about the opportunities we are prepared to pursue in the 1970's.

Despite disappointing performances by our Recreation and Education Products Groups, and a leveling in the rate of earnings in our Automotive Products Group, Questor Corporation still managed to post a new record in both sales and earnings. For the year ended December 31, 1969, we achieved net sales of $243,015,000 on which we earned $13,927,000 or $1.40 per share (assuming full conversion of all preferred shares) before extraordinary items. Additionally, we earned net extraordinary income of $5,813,000 or $.58 per share to bring our total 1969 net earnings to $19,740,000 or $1.98 per share (also assuming full conversion of all preferred shares).

During 1969, your company accomplished these specific major objectives:

- Completed the sale of its 53.6 percent common stock ownership of American Bank Note Company for $23,991,000. This transaction resulted in a one-time capital gain for Questor of $7,856,000 after applicable taxes and expenses, or approximately $.79 per share of common stock.

- Acquired the minority interest outstanding in A. G. Spalding & Bros. Inc. through the issuance of 117,311 shares of Series A $2.00 Convertible Preferred Stock which is now traded on the New York Stock Exchange.

- Expanded Spalding's operations into the rapidly growing ski equipment market. This was accomplished through the acquisition of the Persenico Ski Company, Chiavenna, Italy—one of the oldest and most respected manufacturers of skis in Europe.

- Formed a new Spanish subsidiary, Spalding Iberica S.A., to expand and improve distribution of Spalding products in Spain; and to manufacture certain leather sports products for Spalding.

- Sold the Rotary Seal Division of Muskegon Piston Ring Co. for a modest profit. The division had been unprofitable and, like the American Bank Note Co., did not fit with our continued emphasis on consumer products.

- Increased our available lines of medium term bank credit from $45 million to $70 million and obtained $15 million in Eurodollar lines of credit. Most of these credits remain unused and available to us as we enter 1970.

- Sold the Oil City Glass Division of Pyramid International, Inc. for $8.8 million, creating a non-recurring capital gain of $2,195,000 or $.22 per share of common stock. Because only a small percentage of this plant's total production was used for our Evenflo glass bottle requirements, its sale will allow us to redirect our capital toward consumer product areas. We continue to maintain our source of glass bottles by means of a long term contract with the new owner.

- Wrote off the excess of cost over the net asset values of businesses acquired prior to January 1, 1969. This amounted to $4,238,000 or $.43 per share of common stock. Because of the doubtful value of this asset, we decided it was prudent to write off this intangible.

- Reorganized Spalding's money-losing United Kingdom subsidiary into a fully-integrated operating division of Spalding's U. S. corporate structure. The reorganization resulted in an immediate reduction in the consolidated tax of Questor Corporation, but was undertaken primarily to provide some profit improvement and to permit extensive refinancing of the programs in the United Kingdom.

- Commenced a $4 million expansion of our Spalding manufacturing facilities, including the purchase of a 177,000 square foot plant in Ft. Smith, Arkansas which will be used to meet the expanding demand for Spalding golf clubs.

- Purchased the Rose-Derry Companies, manufacturers of the famous KANTWET baby mattresses, for approximately $5 million cash.

- Acquired the Lullabye Furniture Company of Stevens Point, Wisconsin and the Baby Line Furniture Company of Los Angeles, California and Gallup, New Mexico for a combined cash purchase price of approximately $8 million. Both are established manufacturers of baby cribs, beds, matching chests, and wardrobes. They will be operated in conjunction with our Pyramid subsidiary's Infanseat and KANTWET Companies to form a new Infant and Juvenile Furniture Division.

- Began a $3.6 million expansion of the shock absorber manufacturing facilities of Oldberg Manufacturing Company in Dyersburg, Tennessee.

- Purchased for cash the assets of the Locke Manufacturing Company, one of the nation's leading manufacturers of wrought iron railings and columns. Locke will be integrated with our Leslie Building Products subsidiary to become Leslie-Locke Building Products Co.—the nucleus of our expanding Building Products Group.

The foregoing actions have further developed the basis for the significant growth we have planned for the new decade. We continue to believe, however, that superior performance can only be achieved by highly motivated, capable people working in harmony. Toward that goal, we have made a number of important management promotions and additions:

- Elected Paul F. Collins, 40, to the presidency of A. G. Spalding & Bros. Inc. Mr. Collins proved himself one of the sports equipment industry's leading executives while Vice President-Marketing for Rawlings Sporting Goods Company. He succeeds Edwin L. Parker who elected early retirement on July 1, 1969 after 13 years of devoted service to Spalding.

• Promoted H. C. "Skip" Stivers to the presidency of AP Parts Corporation, capping a long and highly successful career in the replacement auto parts industry. He succeeds Paul Putman who is devoting his full efforts to his responsibilities as Chairman of the Questor Board of Directors.

• Elected Joseph J. Halbach, 38, to the new position of Vice President-Employee Relations. Mr. Halbach has an outstanding reputation in this field and is a welcome and valuable addition to our corporate staff.

• Promoted Jack Kleberg, 38, to the presidency of Goerlich's, Inc. succeeding T. O. Ulmer, who retired after an outstanding career which spanned some 38 years. Mr. Kleberg moves up from Vice President-Marketing.

• Named Edward Kusel, 46, chairman and chief executive officer, and Tom Schretter, 32, president of the newly-formed Leslie-Locke Building Products Co.

Additionally, we promoted or recruited many more exceptional management personnel who are described in succeeding sections of this report.

We also proudly call your attention to our financial statements which reflect our conservative accounting practices, fiscal responsibility, and strong financial position.

1969 was not without its mistakes and disappointments, and it is from these that we have gained: our best insights into where we must expend greater effort; some humility to temper our confidence; and some perspective as to our rate of expansion. We enter 1970 with better balance in our management; more cohesiveness in our products and marketing organizations; and with greater conviction that our philosophy of creating a people-oriented, marketing-oriented, diversified, consumer products company will prove personally fulfilling to us who seek it, and financially rewarding to you—our shareholders.

Paul Putman
Chairman of the Board

P. M. "Sandy" Grieve
President

P. M. "Sandy" Grieve   Paul Putman

Infant Products Market

During 1969, a number of events occurred within our company and the infant market in general to increase the performance of our Infant Products Group to an all-time high. Group performance, under the leadership of C. R. Porthouse, Questor vice president and president of our infant products subsidiary, Pyramid International, Inc., increased sales to $26,293,000 as compared to $20,308,000 for 1968. Earnings also rose. These results include only six months operations of the Oil City Glass Division, which was sold effective July 1, 1969, and eight months operations of KANTWET Companies which were purchased in May, 1969.

Perhaps the most significant event in terms of long-term growth was the long awaited reversal of the declining number of births. The number of family starts has been increasing for several years; and inevitably, in April of 1969, the number of births started increasing too.

At the same time, modern young parents with their generally higher levels of education and affluency are seeking higher quality products that offer convenience and time-saving features for mother as well as insuring the health and safety of their children.

Evenflo Products

Meeting these market demands, our Evenflo C-thru polycarbonate, polyethylene, and glass nursers continue to account for the majority of sales of all infant feeding equipment sold in the U.S. Following close behind are disposable feeding units, a product area that will receive increased marketing emphasis in 1970. Interestingly, most young mothers who buy disposables for the first months of feeding generally switch to the conventional plastic or glass nursers as the baby grows older, thereby expanding the market even more.

Evenflo has also completed the integration of the Rand baby pants and bibs (acquired in December of 1968) into the Evenflo marketing program. Redesigned products and packaging were introduced about mid-year and we expect steadily increasing sales of these products in 1970.

Division management has been strengthened by a number of promotions, including Dean Hunt, 48, to the new position of Pyramid vice president and general manager of Evenflo Products Division, and E. C. Stibbe to the new position of Pyramid director of traffic and distribution.

Redeployment of Capital

To insure maximum use of both financial assets and management talent toward areas of greatest profitability, Pyramid's Oil City Glass Division was sold for approximately $8,800,000. Less than 10 percent of Oil City's production was used for Evenflo's glass requirements. The sale, which was arranged during the second quarter of 1969, included a long term contract for Oil City to continue supplying Evenflo glass bottles.

Infant and Juvenile Furniture

During the same quarter, Pyramid purchased the Rose-Derry Companies, manufacturers of the well-known KANTWET baby mattresses, chairs, and car seats, as a base for a new infant and juvenile furniture division. Its plants are strategically located in Newton, Massachusetts; Piqua, Ohio; Jasper, Alabama; Los Angeles, California, and Montreal, Quebec.

Adding to this division, Pyramid also acquired in December of 1969 the Lullabye Baby Furniture Company, Stevens Point, Wisconsin; and in February, 1970 the Baby Line Furniture Company of Los Angeles, California and Gallup, New Mexico.

Lullabye, long considered the leading brand name of the industry, manufactures a high-quality line of baby cribs and matching chests and wardrobes. Baby Line also manufactures baby cribs, chests, and wardrobes, and in addition makes high chairs, walkers, bunk beds, and related juvenile furnishings. Baby Line is a large volume supplier of these items concentrating in the western eleven state trading area. They also have established licensees in Mexico and Japan.

Lullabye and Baby Line are managed by men whose skills and experience have helped establish each company as a leader in its specific market, and while no plans are being made to disrupt the established operations of these companies, their coordination with Pyramid's Infanseat Division in Eldora, Iowa should provide many areas of increased efficiency and marketing opportunities.

Education Products Market

As in the infant market, most indications for the rapid growth of the education markets in the seventies are very favorable.

Industry sources for our product areas are predicting an annual growth rate of 7-10 percent based on increasing family formations, higher disposable income, and greater emphasis on the early educational development of children.

We believe this growth will be particularly evident in areas of educational toys, books, and elementary teaching devices which encourage the child's involvement and creativity during its early years.

Questor is seeking greater participation in this growing market through its Education Products Group headed by Robert Genin. This group was established through the mid-1968 acquisition of Child Guidance Toys, Inc. This company, which was founded by Mr. Genin, has won a respected name in the industry, but lacked the capital and management depth necessary for growth. A number of capital investment, management development, and financial control programs have since been put into motion; including the integration of our Platt & Munk Division (publishers of children's books and other educational activities) and the marketing activities of the Toy Tinker Division of A. G. Spalding into one company — Child Guidance Products, Inc.

Disappointingly, these programs ran into a number of costly delays, particularly in areas of product development, production, and delivery. As a result, the first full year operations did not contribute to corporate earnings. Annual sales of $11,526,000 were up slightly over a year ago.

On the brighter side, a large percent of 1969 sales was from new products introduced last March at the annual toy fair. The popularity of these products, along with a number of other new products introduced at this year's fair, shows promise of their being added to our growing list of perennial best sellers to children of all ages. Among these are the Park-A-Matic toy garage and the Mick-A-Matic camera. Among the advantages gained from the integration of activities have been a complete and recently award-winning re-design of Child Guidance packaging, commencement of television advertising, and the establishment of a national sales force under the direction of our newly-promoted Sales Manager Jim Baum, 32.

We have also been successful in introducing a number of additional fine new products under the names Child Guidance Educational Activities and Child Guidance Press, capitalizing on the combined talents of Platt & Munk's experienced creative staff and Child Guidance's established market acceptance. Leading in this area is Don Stern, 42, Platt & Munk's newly-appointed Chief Editor.

In addition, the always popular Tinkertoy has a fresh new packaging look this year, and should receive a considerable boost from the strengthened new sales organization.

Each of these moves should help increase our market penetration; and with the majority of the problems that plagued production and delivery in 1969 now solved, we are optimistic about group performance in 1970 and beyond.

Recreation Products Market

Increased leisure time, growing affluence, and generally higher standards of living around the world have created new demands for all types of recreation products. During 1969, however, U. S. industry sales were generally disappointing—due mostly to unfavorable weather conditions in many parts of the country.

This was particularly true of golf equipment, which usually accounts for the largest volume of sales and earnings for our sports equipment subsidiary, A. G. Spalding & Bros. Inc. And while golf continues to be the major factor in Spalding's business, we have introduced several new products to broaden Spalding's product base and improve the seasonal sales flow. Most notable are the Fischer pool and billiard tables added late in 1968 and a complete line of winter ski equipment introduced in the fall of 1969. These new products, plus continuing success of the Smasher aluminum tennis racket and equipment for other sports, helped to bring Spalding's 1969 sales up to $69,302,000 as compared to $62,581,000 in 1968.

This higher sales volume did not overcome rising distribution, manufacturing, and material costs. These costs, combined with the continued expenses of new product development, new promotional programs, and new facilities, held 1969 operating earnings below 1968 and 1967.

New Management

Capping a major management rebuilding program, Paul F. Collins, 40, was named President of Spalding in November of 1969. This program has greatly strengthened our management team by the addition or promotion of more than a score of capable and talented executives. Among them are R. G. Littleson, 39, corporate controller; J. J. Norris, 41, corporate vice president-marketing; H. W. Larrabee, 40, director of employee relations; J. E. Stoller, 37, director of merchandising; R. J. Zimmerman, 44, advertising director; G. A. Buchholz, 39, director of business information systems; R. H. Polishchuk, 44, vice president and general manager—Canada; A. W. Bayne, 43, manager government and export; F. Langendorf, 37, director of ski division; R. E. Stuke, 47, director of marketing—Fischer; and J. W. Lutkewitte, 28, plant manager—Fischer.

New Programs

Cost control continues to maintain high priority, and major programs are now underway to improve operating efficiency. Specifically:

- The marketing field force has been widely reorganized to better service the many diverse outlets for recreation products and to provide closer management controls over the regional distribution centers.

- Our systems group is now at work developing a highly sophisticated computer network for inventory control, manufacturing scheduling, and high speed data transmission for the nation-wide distribution system.

- The United Kingdom Division has been consolidated into the U. S. operations for closer control and improved performance.

- Spalding Iberica S. A. has been formed to expand distribution of Spalding's products in Spain and to manufacture certain of our leather sports product requirements.

- Persenico Ski Company, Chiavenna, Italy, one of the oldest and most respected ski companies on the European continent has been purchased. The skis are being distributed in the U. S. through the newly established Spalding Ski Products, Inc.

- Established a new 180,000 square foot manufacturing plant in Ft. Smith, Arkansas. This facility will incorporate the latest cost-saving production techniques and will eventually more than double Spalding's golf club capacity. The plant will become operational in mid-1970.

New Product Development

Maintaining our leadership in product development, Spalding's "Professional Edge" was considerably sharpened (in September, 1969) by the introduction of the world's first and only golf clubs with stainless steel shafts, Spalding Top-Flites. These shafts, manufactured for Spalding in Sweden, are designed for the professional or "scratch" golfer, and offer important new marketing potential for our professional golf sales division.

In other evolving technology, the Smasher aluminum tennis racket was further refined to incorporate a new 21/20 string pattern for longer life and better playability. The new non-wound golf ball has also been improved to provide greater distance, durability, and "feel."

Outlook

Sales of our Recreation Products Group should continue upward, but 1970 will be marked by the large expenditures associated with Spalding's long range modernization and expansion programs and increased promotion schedules for new product introductions. The effects of these programs should be seen in 1971, with major improvements in both sales and earnings expected in 1972 and beyond.

Automotive Products Market

New car production is an important factor in our automotive market, but of more significance is the total number of vehicle registrations. Registered vehicles now number well over 100 million, with approximately 70 percent over three years old and candidates for replacement parts. This, plus continued emphasis on highway safety, increased use of the automobile for leisure time and recreational activities, and the accompanying demand for high performance products, helped to increase our 1969 automotive parts sales to $130,197,000 as compared to $123,654,000 in 1968.

The market impact of the high performance enthusiast is amply evidenced by the growing popularity of road rallies, drag races, speedways, and the increased sales of high performance products. Our Oldberg Manufacturing Division, for example, has designed and is the exclusive supplier of a new low resistance, higher performing exhaust system for Chrysler's new 426 Hemi and 440 six pack engines.

And in the replacement market, our recent introductions of other high performance exhaust systems—being marketed under the names AP Golden Ram, Merit Dragon, and Goerlich Road Runner—are building new sales to supplement the continuing rapid growth of the conventional systems. These lines were originally introduced for a limited number of customers who were expanding into the speed and specialty shop operations. Product acceptance was so great, however, that distribution has been expanded to all of our traditional dealer outlets.

Exhaust system sales are at an all time high. Earnings, however, were hindered considerably by overtime production and heavy backorder situations. These problems are, for the most part, being solved by establishment of several new production sources and distribution facilities.

Approximately the same situation existed in the operation of our shock absorber division—which sells almost exclusively to the replacement market. Continuing record sales during the first half of 1969 forced costly third shift operations—but also confirmed our decision to commence a 3.6 million dollar modernization and expansion of our shock absorber manufacturing facilities. New automated equipment has been installed to increase production efficiency, and will, by the end of 1970, almost double our production capacity.

Management Appointments

In addition to H. C. Stivers and Jack C. Kleberg, who were named Presidents of AP Parts and Goerlich's, Inc. respectively, our marketing companies were further strengthened by the promotions of Vern Dupy, 44, to AP vice president-marketing; William Hayward, 32, to AP controller; and Robert N. Heyman, 42, to Goerlich's vice president-national accounts.

Promotions in our Oldberg Manufacturing Division included Ralph Lingg, 48, to general manager of the Toledo plant; John C. Jacobs, 45, to general manager of the Youngstown plant; Jim Hall, 31, to chief engineer; and Robert DeJohn, 36, to director of employee relations.

Piston Rings

Our Muskegon Piston Ring Division, under the direction of President Douglas Hamm, maintains its strong position in the original equipment market as a large supplier to each of the major car manufacturers. While sales and earnings have been affected by the production cut-back of new cars, a number of new product developments point to improved performance in 1970 and 1971.

Among these is an exclusive new "gap-latch" connector for Muskegon's oil ring expander. This patented device, which has already been enthusiastically accepted by several of our larger customers, saves assembly time while reducing assembly line errors.

Equally important is Muskegon's two piece oil ring. In addition to being low cost, the ring's functional performance exceeds that of the presently used three piece design. This product is also successfully passing the tests of the automotive companies; and as a result, new automated machinery is now being installed at Muskegon, with mass production expected to start later this year.

The Wausau Motor Parts Division supplies small engine parts for snowmobiles, snowblowers, power mowers, chain saws, and related uses, all in a growing market. Wausau's newly appointed General Manager is R. K. Easton, 38.

Outlook

For the immediate future, lower new car production schedules will retard our original equipment sales. However, as car owners postpone new car purchases, our sales of repair and replacement parts for older cars generally increase. Overall sales for 1970 should be higher that 1969.

For the longer outlook, regular car production is expected to reach 10 million per year by the mid-seventies, and 13 million cars per year by 1979 or 1980. To meet this demand we are continuing the orderly expansion of facilities, while placing increased emphasis upon our research and manpower capabilities. We are optimistic about the future and believe the decade of the seventies will show tremendous growth.

The problem of supplying housing for our growing population is one of the greatest challenges of the '70's. And while new home construction activity has seriously declined from a year ago, the demand for products in the existing-home market or "after" market has grown at an unprecedented rate. Questor serves both the new and existing-home markets through our newly formed division, Leslie-Locke Building Products Co. This division was formed in December of 1969 by the purchase of the Locke Manufacturing Co. and the consolidation of Locke with a long established Questor subsidiary, Leslie Building Products, Inc.

Leslie Building Products

Leslie's package of building products was originally built upon a line of metal louvers and ventilators for residential and commercial use. Plants are located in Franklin Park, Illinois; Tucker, Georgia; and Ft. Worth, Texas.

Several years ago the facilities were expanded to include plastic vacuum forming operations which permitted manufacturing these products in a broad range of coordinated colors to match roofing shingles and aluminum siding. Soon afterwards the company introduced a new plastic decorative shutter which has since become one of Leslie's fastest growing product lines.

More recently, in response to a growing demand for controlled environmental ventilator systems, Leslie developed a power roof ventilator which thermostatically controls attic heat and humidity. This product has been marketed nationally for the past 18 months through mass merchandisers and building product distributors with consistently growing volume.

The company has also been particularly successful in the development of wind driven rotary ventilators. These units, which are manufactured in the Ft. Worth plant, are now used predominately in the southwest, but are growing in popularity throughout the entire south.

Leslie further broadened its product line in December of 1968 through the purchase of the W. J. Haertel & Co., makers of a suspended ceiling system commonly used in home remodeling. While this metal grid system with its simple, install-it-yourself features is very popular in residential homes, it also enjoys extensive use by building contractors in the construction of commercial buildings. Market acceptance of both the new and established products combined to bring Leslie's 1969 sales to $5,697,000 as compared to $4,102,000 for 1968.

Locke Manufacturing

Locke Manufacturing Company, which joined our Building Products Group late in December of 1969, is one of the leading manufacturers of wrought iron railings and columns. Company headquarters are in Akron, Ohio, with plants located in Lodi, Ohio; Tifton, Georgia; and Mount Carroll, Illinois. The sales volume for 1969, which is not included in Questor's 1969 figures, was in excess of $6,000,000.

Locke's success in this field has been from the development of a number of patents and automated techniques that have literally brought the manufacturing of wrought iron products out of the blacksmith era and turned it into a modern sophisticated business. Locke's products are attractively and efficiently designed for easy installation by the do-it-yourself home owner or apartment dweller. Modern mass production methods permit a very competitive pricing structure while a new exclusive "no drill" fitting has cut installation time by one third, thereby making it especially attractive for use by the contractor as well as the do-it-yourselfer.

These product advantages, coupled with aggressive marketing programs, have enabled Locke to establish strong channels of distribution through lumber yards, hardware stores, mass merchandisers, chain stores, and building supply outlets. These are the same channels being established for Leslie's new product lines.

In new product areas, Locke has successfully introduced a line of wrought iron steps for mobile home use — and Leslie has followed with a new line of mobile home decorative shutters. Other new products particularly adaptable for modular construction needs will be introduced later this year.

Management Depth

In addition to increased marketing, manufacturing, and distribution efficiencies, the consolidation of these two companies into the Leslie-Locke Building Products Co. has significantly strengthened our depth of management.

Edward Kusel, 46, Locke president, has become Chairman and Chief Executive Officer, while Leslie's president, Tom Schretter, 32, has been named President and General Manager of the new organization. The combined proven skills and talents of these men, and their respective staffs, provide a greatly increased capacity for future growth in this product area.

Questor Policy and Planning Committee

Our Questor corporate officers and the presidents of each major subsidiary and division comprise the membership of Questor's Policy and Planning Committee. This committee does not meet as a decision-making group, but rather to promote understanding of mutual and special problems, to seek areas of co-operation between operating units, and to develop uniform policies and practices as they affect the total corporation and its employees.

The bi-monthly meetings of the committee also serve as a forum where various educational, social, and other business leaders occasionally appear to share their knowledge in specialized fields, and where any member may introduce new concepts or raise questions concerning the company's operations.

Pictured here (front row, left to right) are: Jack Kleberg, president of Goerlich's, Inc.; C. Victor Beck, Questor vice president-law; Robert Hessler, Questor vice president-finance; C. R. Porthouse, Questor vice president and president of Pyramid International, Inc.; and P. M. "Sandy" Grieve, Questor president. In the back row, left to right, are Paul Collins, president of A. G. Spalding & Bros. Inc.; Douglas Hamm, president of Muskegon Piston Ring Company; C. W. Kitzinger, president of Oldberg Manufacturing Company; Robert Genin, president of Child Guidance Products, Inc.; H. C. Stivers, president of AP Parts Corporation; Edward Kusel, chairman of Leslie-Locke Building Products Co.; and Joseph Halbach, Questor vice president-employee relations. Absent when this picture was taken was Paul Putman, Questor chairman of the board. Two other regular attendants are John Goerlich, founder-director, and Dr. Otis Maxfield, consultant on group dynamics and interpersonal relationships.

Questor in the Age of Aquarius

During the decade of the 1960's, we witnessed unprecedented challenge and beginning change in the social, educational, political, moral, and military standards of our society. The flower children, the black man's revolt, the conquest of the moon, the campus unrest, the rejection of the Vietnam War, the upheaval in Czechoslovakia, the burning of draft cards, books, libraries, and even cities, all were the first warnings or first promises of the rapid and sometimes violent changes which will occur in the 1970's—The Age of Aquarius.

We at Questor have been deeply moved by these changes—moved to the point of re-examining our relationship to society as a dynamic, growth and profit-oriented business. We have concluded that the vitality of Questor and the entire free enterprise system will be challenged by the changes which are occurring or will occur in the 1970's. But, this challenge cannot only be met—it can be embraced as a great opportunity. To meet this opportunity we must first identify, understand, and relate to the changing demands and values of our society. Secondly, we must adapt to these changes in a manner which not only preserves the profit motive of the free enterprise system, but uses this same force to assure that the changes that must and do occur will do so in as productive and efficient a manner as possible.

The free enterprise system is not perfect, but it is the most efficient, most solid economic system ever devised. If it doesn't serve the new society's needs, however, it too will go. The free enterprise system itself must change—must learn to live with more rapid change—if it is to survive. Just to tolerate a swiftly shifting environment is not enough for survival; rather, the free enterprise system must react, respond, and eventually *lead* if change is to be accomplished without unnecessary waste or chaos.

It is our earnest contention that the tremendous changes in our society—its attitudes, its values, and its objectives—are not all good, not all reasonable, but they are inevitable and in the most part highly promising.

The promise is the dawning of a more valid set of morals, a greater awareness of self, and a greater commitment to some age-old principles which have lost their meaning in our over-materialistic, man-is-a-number, power-equals-right world.

The vast group in our society which is under thirty years old is very soon going to be our largest group of customers and our largest group of employees; and this group is rejecting many of the fallacies of our time. We cannot ignore what they are saying and doing about our society. Our young people are telling us of the hypocracies in political elections, sexual standards, ecological values, employee-management relationships, company-customer relationships, country-to-country relationships, and people-to-people relationships. They are telling us we have forgotten what all these relationships really should be based on: *caring—understanding—mutual respect—the need of the individual for dignity and self-fulfillment.*


Milton Glaser

We believe that embracing and applying these values to our employees and our customers is not at all inconsistent with the free enterprise system, and Questor's desire to earn a strong return on the stockholder's investment. In fact, we believe there is no real alternative to the future of the successful corporation in our changing society.

The Age of Aquarius is the dawning of an age where man, freed from the every-day needs which have preoccupied his forefathers, looks to fundamental truths which have dignified and separated him from other life forms. It is the age of human values, and we believe these newly-emerging standards of society can be used to renew and revitalize the free enterprise system and to build Questor.

We hope to do this by a careful, but serious approach to creating a new environment for Questor people. An environment in which individuals will have the fullest opportunity to self-control and self-direct their efforts, with the full knowledge of what their efforts contribute to organization goals, and with rewards based upon their contributions to those goals.

We foresee a reward system not limited to traditional dollar incentives, but also in terms of greater responsibility and improved opportunity for individual self-fulfillment. We see a deeper mutual involvement between the company and its employees in terms of human needs, hopes, pleasures, and beliefs in order to stimulate open-ended creativity. Jobs will be designed around peoples' talents and the activities they do best, with work being performed less out of duty and more out of self-satisfaction.

In brief, we are reaffirming that our primary asset is people, and we are renewing our efforts to revitalize and motivate this—our greatest asset—with the intended result that our best asset will produce our best profits in the long run. In the same sense that we are committing ourselves to the people who are Questor, we also see the need for a fresh orientation to our customers and to the community of which they are a part—an orientation that will challenge us to better meet new and different needs.

As a further extension of the current consumerism movement, new standards will be expected of our products in terms of safety and their effect upon the environment. If we face these realities as part of our way of doing business, we will have greater opportunity in that marketplace than the organization which defensively tries to slow up this order of change.

We humbly recognize the scope and depth of our commitment. We also fully appreciate, as we proceed, the need to test, to evolve, to fall back and try again —all consistent with earning a strong return on our shareholders' investment. As we enter the 1970's, we know it is full of serious unknowns and dangerous possibilities, but more importantly, full of promise of great new opportunities. Experiment will become commonplace; rapid changes will be essential; and, above all, individual man will continue to quest for personal fulfillment and truer values.

The corporation that recognizes and adapts to this new environment will not only survive the 70's, but it will grow and prosper in them. We intend for Questor to do just this, for we are already committed to the validity of the more important changes to come in the next ten years.

This is the decade Questor was born to thrive in—
This is the climate Questor was destined to grow in—
This is the Age of Change Questor was conceived to lead—
This is Questor's age—The Age of Aquarius.

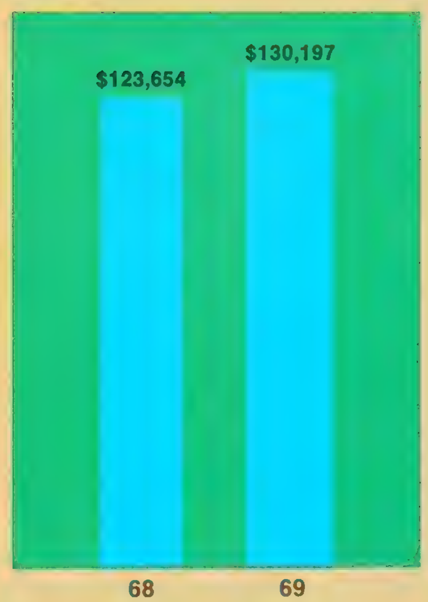
The centerfold drawing is artist Milton Glaser's graphic interpretation of the opportunities awaiting Questor people and products in the dawning of the Age of Aquarius.

Sales by Product Groups
(IN THOUSANDS OF DOLLARS)

Infant Products Group
Up 29.5%

Education Products Group
Up 16.5%

Recreation Products Group
Up 10.7%



Automotive Products Group
Up 5.3%

Building Products Group
Up 38.9%

Questor Corporation

Statement of Consolidated Earnings
and Retained Earnings
Year ended December 31, 1969
with comparative figures for 1968

	1969	1968
Net sales	$243,015,000	$220,538,000
Cost of sales	170,761,000	151,682,000
Gross profit	72,254,000	68,856,000
Selling, general and administrative expenses	45,942,000	39,178,000
Operating income	26,312,000	29,678,000
Net other income (deductions)	615,000	(590,000)
Earnings before Federal and foreign income taxes and net extraordinary income	26,927,000	29,088,000
Federal and foreign income taxes (note 7)	13,000,000	15,735,000
Earnings before net extraordinary income	13,927,000	13,353,000
Net extraordinary income (note 8)	5,813,000	—
Net earnings	19,740,000	13,353,000
Retained earnings at beginning of year (1968 restated to include the minority interest in the consolidated retained earnings of A. G. Spalding & Bros. Inc., $2,137,000) (note 1)	86,554,000	77,377,000
	106,294,000	90,730,000
Less:		
Cash dividends declared:		
Series A prior preferred stock—$1.38 per share	159,000	—
Convertible preferred stock—$.10 per share	175,000	175,000
Common stock—$.50 per share	4,000,000	4,001,000
	4,334,000	4,176,000
Charge arising from reacquisition by A. G. Spalding & Bros. Inc. of 51,829 common shares (note 1)	1,339,000	—
	5,673,000	4,176,000
Retained earnings at end of year	$100,621,000	$ 86,554,000
Earnings per common share (note 4):		
Earnings before net extraordinary income	$ 1.40	$ 1.34
Net extraordinary income	.58	—
Net earnings	$ 1.98	$ 1.34

See accompanying notes to consolidated financial statements.

Questor Corporation

QUESTOR

Statement of Consolidated Source and Application of Funds
Year ended December 31, 1969
with comparative figures for 1968

	1969	1968
Funds provided:		
Net earnings	$ 19,740,000	$ 13,353,000
Add charges against earnings not requiring funds:		
Depreciation and amortization	5,324,000	5,193,000
Provision for deferred Federal and foreign income taxes	287,000	380,000
Minority interests in net earnings of subsidiaries	82,000	140,000
Write-off of unamortized balance of excess of cost over net asset values of businesses acquired in prior years	4,238,000	—
Funds derived from operations	29,671,000	19,066,000
Issuance of common stock	168,000	1,381,000
Disposal of investment in American Bank Note Company	12,803,000	—
Increase in long-term debt	13,908,000	—
Book value of property, plant and equipment disposals, etc.	5,534,000	128,000
	62,084,000	20,575,000
Funds applied:		
Additions to property, plant and equipment	16,940,000	10,900,000
Increase in other assets, excluding 1969 write-off of unamortized balance of excess of cost over net asset values of businesses acquired in prior years and depreciation and amortization	14,778,000	1,877,000
Decrease in long-term debt	—	1,592,000
Purchase of minority interests in subsidiaries	3,195,000	1,630,000
Purchase of shares of affiliated companies	1,872,000	60,000
Increase in other investments	6,736,000	—
Purchase of common and prior preferred shares	2,067,000	2,274,000
Cash dividends	4,334,000	4,176,000
	49,922,000	22,509,000
Increase (decrease) in working capital	$ 12,162,000	$ (1,934,000)

See accompanying notes to consolidated financial statements.

Questor Corporation

Consolidated Balance Sheet
December 31, 1969
with comparative figures for 1968

Assets	**1969**	1968
Current assets:		
Cash	**$ 18,717,000**	$ 9,883,000
Marketable securities, at cost (which approximated market value)	**452,000**	3,290,000
Receivables, less allowance of $1,531,000 and $1,632,000:		
Trade	**40,893,000**	36,799,000
Other (note 2)	**9,415,000**	1,258,000
Net receivables	**50,308,000**	38,057,000
Inventories, at lower of cost (first-in, first-out) or market:		
Raw materials	**12,648,000**	10,362,000
Work in process	**11,798,000**	9,571,000
Finished goods	**42,291,000**	34,306,000
Total inventories	**66,737,000**	54,239,000
Prepaid expenses	**2,968,000**	2,780,000
Total current assets	**139,182,000**	108,249,000
Investments (note 2):		
Affiliated companies	**2,048,000**	12,978,000
Other investments	**6,736,000**	—
Total investments	**8,784,000**	12,978,000
Property, plant and equipment, at cost:		
Land	**2,711,000**	2,628,000
Land improvements	**484,000**	468,000
Buildings and building improvements	**26,488,000**	25,277,000
Leasehold improvements	**1,981,000**	1,649,000
Machinery and equipment	**51,505,000**	48,555,000
Construction in progress	**4,662,000**	1,249,000
	87,831,000	79,826,000
Less accumulated depreciation	**40,676,000**	38,734,000
Net property, plant and equipment	**47,155,000**	41,092,000
Other assets (notes 1 and 2)	**17,961,000**	7,518,000
	$213,082,000	$169,837,000

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	1969	1968
Current liabilities:		
Unsecured bank loans (note 3)	$ 32,816,000	$ 12,934,000
Current maturities of long-term debt (note 3)	987,000	3,574,000
Accounts payable	11,555,000	9,405,000
Dividends payable	1,092,000	1,045,000
Accrued expenses	10,327,000	8,248,000
Federal and foreign income taxes (note 7)	5,818,000	8,618,000
Total current liabilities	62,595,000	43,824,000
Deferred Federal and foreign income taxes	932,000	760,000
Long-term debt (note 3)	24,904,000	10,996,000
Minority interests in subsidiaries	102,000	1,876,000
Shareholders' equity (notes 4, 5 and 6):		
Prior preferred stock, without par value. Authorized 1,000,000 shares; issued 113,511 and 117,311 shares of Series A $2.00 convertible	3,973,000	4,106,000
Convertible preferred stock, par value $1 per share. Authorized and issued 1,744,961 shares	1,745,000	1,745,000
Common stock, par value $1 per share. Authorized 14,000,000 shares; issued 8,145,265 and 8,122,307 shares	8,145,000	8,122,000
Additional paid-in capital	14,081,000	13,972,000
Retained earnings	100,621,000	86,554,000
	128,565,000	114,499,000
Less cost of common stock reacquired and held in treasury—213,610 and 110,310 shares	4,016,000	2,118,000
Total shareholders' equity	124,549,000	112,381,000
Commitments (note 10)		
	$213,082,000	$169,837,000

(1) Principles of Consolidation and Related Matters

The consolidated financial statements include the accounts of the Company and its subsidiaries except for the accounts of minor foreign companies, after elimination of significant intercompany items and recognition of minority interests. Accounts of consolidated foreign subsidiaries have been converted to appropriate dollar equivalents. All significant subsidiaries are wholly-owned. Minority interests in earnings of subsidiaries, which amounted to $82,000 in 1969 and $140,000 in 1968, are reflected in "net other income (deductions)."

During 1969, the Company and its subsidiaries acquired four domestic businesses by cash purchases and sold two operating divisions. The results of their operations for the respective periods held, which were not material in amount, are reflected in the consolidated financial statements. The excess of the cost of the acquisitions over the underlying net asset values ($4,230,000) has been recorded as an intangible asset and is included in other assets.

Immediately prior to the merger of A. G. Spalding & Bros. Inc. with and into the Company, effective on April 21, 1969, Spalding purchased 51,829 of its shares from dissenting shareholders for $3,058,000 ($1,339,000 in excess of the net book value applicable to such shares). The merger was effected by the exchange of each of the remaining 117,311 outstanding shares of Spalding common stock not held by Questor for one share of Questor's Series A $2.00 convertible prior preferred stock with an aggregate stated value of $4,106,000. The merger was treated as a pooling of interests for accounting purposes with respect to the minority shareholders' equity in Spalding and, accordingly, the consolidated financial statements for 1968 have been restated to reflect this transaction. The restatement increased previously reported net earnings for 1968 by $291,000.

(2) Investments

At December 31, 1969, investments in affiliated companies represented the cost of investments of certain subsidiaries of the Company aggregating $2,048,000 (approximate book value) in the shares of foreign corporations. As of February 17, 1969, the Company's 53.6% common stock interest in American Bank Note Company having a cost of $12,803,000 was sold for $23,991,000 (see note 8), with $15,000,000 received in cash and the balance represented by 6½% secured notes maturing 1970 - 1973. The current maturities of these notes, along with $6,795,000 of the proceeds from the sale of Oil City Glass Division (see note 8), are included in other receivables, and the non-current portion of the notes is included in other assets.

Other investments consist of common stocks of domestic companies and are stated at their cost of $6,736,000 (approximate market values $5,926,000 at December 31, 1969).

(3) Long-Term Debt and Revolving Credit Agreements

The long-term debt at December 31, 1969 was as follows:

	Due within one year	Due after one year
Unsecured obligations:		
Notes payable to banks under revolving credit agreement	$ —	$15,000,000
Notes payable to insurance companies:		
6.40%, due October 25, 1981	670,000	7,320,000
6%, due June 30, 1971	100,000	50,000
Installment contracts, etc., 4% to 8½%, due in installments to 1975	101,000	693,000
Secured obligations—mortgage notes and equipment loans, 2% to 6¾%, due in installments to 1987	116,000	1,841,000
	$987,000	$24,904,000

The Company has a revolving credit agreement with seven banks which are committed to lend an aggregate of $70,000,000 through the termination date, May 15, 1971. Borrowings are to be evidenced by promissory notes payable in ten equal semi-annual installments beginning December 31, 1971. At December 31, 1969, borrowings under this agreement aggregated $15,000,000 with interest payable at the prime rate.

The Company also has three credit agreements providing aggregate lines of credit of approximately $17,250,000 for foreign operations. At December 31, 1969, borrowings under these agreements aggregated the equivalent of $2,030,000 (principally at 9¼%) and are classified with other unsecured bank loans (principally at 8½%) in current liabilities.

Covenants in agreements relating to certain long-term debt require the maintenance of specified minimum working capital and restrict certain borrowings, investments, loans, mergers, leases, etc.

(4) Capital Shares and Earnings per Share

The authorized prior preferred stock is issuable in one or more series as may be established by the Board of Directors, which is also authorized to fix the rights, preferences and terms of each series. All series of prior preferred stock are to rank senior to the Company's common stock and convertible preferred stock as to all rights, powers and privileges, including rights to dividends and to assets upon liquidation. The Board of Directors has established a series of 169,140 shares of such stock, designated as Series A $2.00 convertible prior preferred stock, and 117,311 of these shares were exchanged for common shares of A. G. Spalding & Bros. Inc. to effect the merger described in note 1. This series of prior preferred stock is entitled to cumulative cash dividends of $2.00 annually, is convertible into shares of common stock at the rate of 1.6 shares of common for each share of prior preferred, is redeemable at the option of the Company on or after April 21, 1972 at $50.00 per share (an aggregate of $5,676,000) plus accrued dividends and its holders are entitled to one vote per share.

Subject to prior rights of the prior preferred stock, the common stock and convertible preferred stock have equal rights and privileges, except that holders of convertible preferred stock are entitled to receive cumulative dividends at the rate of 2½¢ per share quarterly before any dividends are declared on common stock. The convertible preferred stock is convertible on or after December 31, 1970 into common stock on a share-for-share basis, subject to any appropriate adjustments for intervening common stock dividends or subdivisions.

At December 31, 1969, an aggregate of 2,327,789 common shares was reserved for issuance upon conversion of preferred shares, exercise of stock options and awards under the Restricted Stock Award Plan.

During 1969, the Company purchased for its treasury 103,300 shares of its common stock at an aggregate cost of $1,898,000, and purchased and retired 3,800 shares of its Series A $2.00 convertible prior preferred stock.

Earnings per common share for 1969 and 1968 have been calculated on the basis of the weighted average number of shares outstanding during the respective years assuming conversion of the outstanding convertible preferred stock and Series A prior preferred stock. Earnings per share would be diluted less than one cent per share upon giving effect to common shares contingently issuable under stock option and restricted stock award plans.

(5) Stock Options and Restricted Stock Award Plan

The Company has two qualified stock option plans under which options to purchase its common stock at not less than 100% of market value at date of grant may be granted to key management employees of the Company and its subsidiaries. All of the options authorized by the first plan have been granted, represented by options for 127,020 shares in 1966 at a price of $8.91 per share and an option for 43,500 shares in 1967 at $9.63 per share. Options for 72,000 shares at $8.91 have been exercised (including 18,408 shares in 1969), options for 12,760 shares at the option price of $9.63 had been exercised prior to 1969 and options for 1,740 shares at $8.91 were cancelled in 1969. The second plan was adopted in 1968 and provides that options for a maximum of 150,000 shares may be granted up to July 23, 1978. Each of these options will expire five years from date of grant or five years from the date of modification of the option price, whichever is later, and recipients must agree to continue as employees for at least one year. At December 31, 1969, options for 58,000 shares at $18.63 per share (as revised in 1969) and an option for 3,000 shares at $22.50 per share had been granted but were not yet exercisable under the terms of the plan.

In consideration for services to a subsidiary, the Company issued a Stock Option Certificate dated January 17, 1969 to a foreign corporation for the purchase of 10,000 common shares of Questor Corporation on or before January 18, 1972 at $20.25 per share (as subsequently revised). Concurrently, this corporation was granted an additional option to purchase not more than 10,000 common shares between January 18, 1972 and January 18, 1975 at the average market price for the ten days preceding January 18, 1972; no portion of this option has been exercised.

The Company has a Restricted Stock Award Plan under which a maximum of 150,000 of its common shares may be awarded to middle-management employees of the Company and its subsidiaries to reward outstanding performance and build loyalty. Certificates covering awarded shares contain restrictions against the sale of the stock for specified periods, and the Company receives no deduction for income taxes until the dates when the restrictions terminate. As of December 31, 1969, awards of 6,550 shares under this Plan had been authorized and 4,550 of these shares had been issued.

(6) Additional Paid-In Capital

Changes in additional paid-in capital during 1969 are summarized as follows:

Amount at December 31, 1968, as previously reported	$16,459,000
Restatements to reflect the merger of A. G. Spalding & Bros. Inc. on a pooling-of-interests basis (see note 1): Excess of stated value of Questor's Series A prior preferred stock over the par value of Spalding common shares exchanged by the minority shareholders ($3,989,000), less minority interest in Spalding's additional paid-in capital ($1,502,000)	(2,487,000)
Amount at December 31, 1968, as restated	13,972,000
Excess of proceeds over par value of 18,408 common shares issued upon exercise of options	145,000
Excess of cost over stated value of 3,800 shares of Series A prior preferred stock reacquired and retired	(36,000)
Amount at December 31, 1969	$14,081,000

(7) Federal and Foreign Income Taxes

The provision for Federal and foreign income taxes for the year ended December 31, 1969 ($13,000,000) reflects a reduction in the Company's effective consolidated tax rate arising from the liquidation of the United Kingdom subsidiary of A. G. Spalding & Bros. Inc. into its parent and various other adjustments. Adequate provision has been made for all income taxes applicable to the various companies for the current year and unsettled prior years.

(8) Net Extraordinary Income

Net extraordinary income for the year comprised:

Gain on sale of the Company's interest in American Bank Note Company (see note 2) after applicable Federal income taxes of $2,980,000	$ 7,856,000
Gain on sale of Oil City Glass Division of a subsidiary, after applicable Federal income taxes of $1,535,000	2,195,000
	10,051,000
Less write-off of unamortized balance of the excess of cost over net asset values of businesses acquired in prior years, in accordance with the determination by the Company's Board of Directors that there was no significant measurable future value attached to such balance	4,238,000
	$ 5,813,000

(9) Pension Plans

The Company and certain of its subsidiaries have several pension plans covering substantially all hourly-paid and certain salaried employees. Company policy is to fund pension costs accrued, and total pension expense was approximately $1,900,000 in 1969 and $1,810,000 in 1968, including amortization of prior service costs on the basis of amortization periods ranging from ten to forty years. The most recent determinations indicate that the actuarially computed values of vested benefits under the principal plans exceed the market value of the corresponding fund assets by approximately $3,850,000.

(10) Commitments

The Company and its subsidiaries lease certain manufacturing, warehousing and office facilities and office equipment under various lease agreements, some having renewal options, expiring periodically through 1983 and requiring annual rental payments of approximately $1,600,000 plus certain related taxes, insurance and maintenance charges. Of this annual rental, $1,100,000 is applicable to leases having expiration dates within the next five years. Total rental obligations payable over the present terms approximate $8,600,000. At December 31, 1969, the Company was committed for the cash purchase of a domestic business as of February 6, 1970 at an aggregate cost of approximately $6,245,000.

(11) Depreciation and Amortization

Depreciation and amortization charges totaled $5,324,000 in 1969 and $5,193,000 in 1968. Depreciation is based upon estimated useful lives of the various assets, ranging from two to fifty years, and has been computed in part by accelerated methods. Certain items are depreciated by accelerated methods for income tax purposes only, and the deferred taxes attributable to the additional depreciation deductions are recorded annually.

The Board of Directors and Shareholders
Questor Corporation:

We have examined the consolidated balance sheet of Questor Corporation and subsidiaries as of December 31, 1969 and the related statement of earnings and retained earnings and the statement of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Questor Corporation and subsidiaries at December 31, 1969, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of consolidated source and application of funds for the year ended December 31, 1969 presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

Toledo, Ohio
February 2, 1970

Questor Corporation
Executive Offices
Toledo, Ohio 43601

Board of Directors
Lore W. Alford
Reuben W. Askanase
John Goerlich
P. M. Grieve
Cyril R. Porthouse
Paul Putman
Morris Shilensky
Stephen Stranahan
Adolph O. Susholtz

Officers
Paul Putman, *Chairman of the Board*
P. M. Grieve, *President*
Cyril R. Porthouse, *Vice President*
R. R. Hessler, *Vice President-Finance and Treasurer*
C. V. Beck, Jr., *Vice President-Law and Secretary*
J. J. Halbach, *Vice President-Employee Relations*
J. W. Neithercut, *Controller*

Transfer Agents
The Ohio Citizens Trust Company
Toledo, Ohio
First National City Bank
New York, New York

Registrars
First National Bank of Toledo
Toledo, Ohio
The Chase Manhattan Bank
New York, New York

Auditors
Peat, Marwick, Mitchell & Co.
Toledo, Ohio

Cable Address
Questor

NYSE Symbol
IQ

Notice of Annual Meeting
The annual meeting of shareholders will be held on Tuesday, April 28, 1970, at ten o'clock in the morning, Eastern Standard Time, at the Toledo Club, 14th Street and Madison Avenue, Toledo, Ohio.

Five-Year Review[1]

	1969	1968
Results of Operations		
Net Sales	$243,015,000	$220,538,000
Earnings before Net Extraordinary Items	13,927,000	13,353,000
Net Earnings	19,740,000	13,353,000
Earnings per Share:[2]		
Earnings before Net Extraordinary Items	1.40	1.34
Net Earnings	1.98	1.34
Return on Sales[3]	5.7%	6.1%
Financial Position		
Working Capital	$ 76,587,000	$ 64,425,000
Investments and Other Assets	26,745,000	20,496,000
Property, Plant and Equipment, Net of Depreciation	47,155,000	41,092,000
	150,487,000	126,013,000
Deduct:		
Deferred Federal and Foreign Taxes	932,000	760,000
Long-Term Debt	24,904,000	10,996,000
Minority Interests in Subsidiaries	102,000	1,876,000
	25,938,000	13,632,000
Shareholders' Equity	124,549,000	112,381,000
Other Data		
Additions to Property, Plant and Equipment	$ 16,940,000	$ 10,900,000
Depreciation	5,324,000	5,193,000
Average Number of Shares Outstanding:		
Common	8,009,134	7,990,990
Convertible Preferred[4]	1,744,961	1,744,961
Prior Preferred—Series A[4]	184,758	187,698
Total Shares Outstanding	9,938,853	9,923,649
Number of Shareholders	5,876	5,163
Number of Employees	11,186	10,104

(1) Prior years have been restated to reflect poolings of interests
(2) Based on average number of shares outstanding during the respective periods
(3) Based on earnings before extraordinary items
(4) Assumes conversion to equivalent common shares

1967	1966	1965
$192,438,000	$179,517,000	$170,061,000
12,008,000	9,497,000	10,420,000
10,819,000	9,397,000	10,691,000
1.20	.95	1.05
1.08	.94	1.07
6.2%	5.3%	6.1%
$ 66,358,000	$ 57,577,000	$ 60,289,000
18,866,000	18,813,000	18,262,000
35,134,000	36,487,000	30,461,000
120,358,000	112,877,000	109,012,000
350,000	125,000	—0—
12,588,000	11,439,000	13,894,000
3,324,000	3,812,000	4,067,000
16,262,000	15,376,000	17,961.000
104,096,000	97,501,000	91,051,000
$ 5,851,000	$ 10,149,000	$ 8,738,000
4,583,000	4,022,000	3,733,000
8,048,981	8,054,355	8,026,897
1,744,961	1,744,961	1,744,961
187,698	187,698	187,698
9,981,640	9,987,014	9,959,556
4,545	4,546	4,672
9,321	8,944	8,542


CANADA
UNITED STATES
MEXICO
HAWAII
AUSTRALIA
NEW ZEALAND

Major Plants, Sales Offices and Distribution Centers

QUESTOR

Infant Products Group

United States
- Brooklyn, New York
- Eldora, Iowa
- Gallup, New Mexico
- Jasper, Alabama
- Los Angeles, California
- Newton, Massachusetts
- Oil City, Pennsylvania
- Piqua, Ohio
- Ravenna, Ohio
- Stevens Point, Wisconsin
- Tionesta, Pennsylvania

Canada
- Montreal, Quebec

Mexico
- Mexico City

Education Products Group

United States
- Bronx, New York
- Evanston, Illinois
- New York, New York

Recreation Products Group

United States
- Atlanta, Georgia
- Ava, Missouri
- Boston, Massachusetts
- Chester, Connecticut
- Chicago, Illinois
- Chicopee, Massachusetts
- Cleveland, Ohio
- Detroit, Michigan
- Englewood Cliffs, New Jersey
- Ft. Smith, Arkansas
- Ft. Washington, Pennsylvania
- Grand Prairie, Texas
- Hollywood, Florida
- Honolulu, Hawaii
- Pico Rivera, California
- San Francisco, California
- Seattle, Washington
- Springfield, Massachusetts
- Tipton, Missouri
- Washington, D. C.

Australia
- Sunshine, Victoria

Canada
- Brantford, Ontario
- Halifax, Nova Scotia
- Montreal, Quebec
- Toronto, Ontario
- Vancouver, British Columbia
- Winnipeg, Manitoba

England
- London

Italy
- Chiavenna

New Zealand
- Christchurch

Northern Ireland
- Monkstown

Spain
- Elda
- Madrid
- San Vicente

Automotive Products Group

United States
- Arlington, Texas
- Atlanta, Georgia
- Boston, Massachusetts
- Chicago, Illinois
- Clifton, New Jersey
- Dallas, Texas
- Detroit, Michigan
- Dowagiac, Michigan
- Dyersburg, Tennessee
- Grand Haven, Michigan
- Long Beach, California
- Los Angeles, California
- Maspeth Queens, New York City
- Minneapolis, Minnesota
- Muskegon, Michigan
- Philadelphia, Pennsylvania
- Pinconning, Michigan
- Pittsburgh, Pennsylvania
- Portland, Oregon
- San Francisco, California
- Schofield, Wisconsin
- Southfield, Michigan
- Sparta, Michigan
- St. Louis, Missouri
- Toledo, Ohio
- Youngstown, Ohio

Canada
- Montreal, Quebec
- Toronto, Ontario
- Vancouver, British Columbia

Mexico
- Mexico City

Spain
- Barcelona
- Pamplona

Building Products Group

United States
- Akron, Ohio
- Franklin Park, Illinois
- Ft. Worth, Texas
- Lodi, Ohio
- Mount Carroll, Illinois
- Tifton, Georgia
- Tucker, Georgia

Canada
- Montreal, Quebec

Principal Subsidiaries and Divisions

QUESTOR

Infant Products Group

Pyramid International, Inc.
Evenflo Products Division
 Crator Manufacturing Company
 Harcort Manufacturing Company
 Evenflo Mexico, S. A.
Infant and Juvenile Furniture Division
 KANTWET Companies
 Baby Line Furniture Company
 Lullabye Baby Furniture Company
 Infanseat Company

Education Products Group

Child Guidance Products, Inc.
Child Guidance Toys Division
Platt & Munk Division
Toy Tinkers, Division of A. G. Spalding & Bros. Inc.

Recreation Products Group

A. G. Spalding & Bros. Inc.
Spalding Sales Corporation
Spalding Ski Products, Inc.
Spalding United Kingdom Division
A. G. Spalding & Bros. of Canada, Ltd.
A. G. Spalding & Bros. (Australasia) Pty. Ltd.
Spalding Europa
 Spalding-Persenico Sports S. p. A.
 Spalding Iberica S. A.
Fischer Manufacturing Co., Inc.

Automotive Products Group

AP Parts Corporation
AP Marketing Division
Columbus Parts Division
Merit Industries, Inc.
Goerlich's, Inc.
Muskegon Piston Ring Company
Muskegon Division
Sparta Foundry Division
Wausau Motor Parts Division
Oldberg Manufacturing Company
Dyersburg Division
Grand Haven Division
Northern Tube Division
Toledo Division
Youngstown Division
AP Parts International Division
AP Parts of Canada, Ltd.
AP de Mexico, S. A.
AP Iberica, S.A.

Building Products Group

Leslie-Locke Building Products Co.
Leslie Manufacturing Division
Locke Manufacturing Division
W. J. Haertel & Co.